

# Treasure Valley Reload Center Summary Report 1/7/19

## Overview

Tioga conducted an independent review and summary evaluation of the Treasure Valley Reload Center project plan proposal and supplementary documents. Tioga also reviewed Union Pacific 10-K reports and various investor presentations. Recommendations to the Oregon Transportation Commission regarding this proposal are presented as the conclusion of this report.

## Site Location and Selection

The proposed Treasure Valley Reload Center (TVRC) would be located in Nyssa, Oregon, and served by the Union Pacific Railroad (UP). TVRC's primary purpose would be to receive Treasure Valley agricultural products (chiefly onions) by truck and transload them to refrigerated boxcars for transcontinental shipment to distant markets, such as New York and the mid-Atlantic region. Tioga accepts the representations made by the Malheur County Development Corporation (MCDC) in the project proposal and follow-on documents that:

*"The site is centrally located in the Treasure Valley which includes Malheur County (OR), Payette County (ID), Washington County (ID), Canyon County (ID), and the northern portion of Owyhee County (ID). The site's location along the Union Pacific Railroad (Union Pacific) mainline and near US Highways 20, 26, 201, and 95 makes it ideal to serve as a centralized reload center for the valley's natural resource-based economy."*

*"The Nyssa Zone D property was preferred because of its available acreage, lack of environmental issues, and the availability of nearly 7,000 feet of rail spur along the UPRR main line in an area free of public rail crossings. The 7,000 feet of clear area for the rail spur is a requirement of the UPRR for operation of a full unit train without impacting the adjacent main line. Of the remaining two Nyssa sites under consideration, the Zone D property is the only site that can utilize a full 7,000-foot rail spur without impacting a public rail crossing."*

Tioga also reviewed written descriptions, maps, and aerial photos included in project plans.

Nyssa is located on the Union Pacific line between UP's own *Cold Connect* reload center at Wallula and target markets to the East. UP trains from Wallula would pass through Nyssa, facilitating combining the volumes if UP chose to do so.

The site location thus appears appropriate for the proposed reload center.

## **Project Scope of Work**

Tioga reviewed proposal scope and verified the plan's consistency with grant program goals and structure. The proposal describes project scope as follows:

*“The proposed TVRC would serve the agricultural community in the Treasure Valley by providing infrastructure to transfer agricultural products from trucks to rail. The TVRC has the potential to provide public benefits by reducing the number of trucks using the highways in eastern Oregon, which potentially would lower highway maintenance costs, improve air quality, and decrease carbon emissions. The project would produce positive economic impacts through increased local spending and creating employment opportunities.”*

The project scope and concept are consistent with comparable transload operations elsewhere, and are compatible with the grant program goals and objective.

## **Evidence of Site Ownership and Control**

Tioga did not find specific assurance that the property owner, the Farmer Family, had agreed to sell the property. This may not be a practical issue, as Jim Farmer is an MCDC board member and was apparently the property owner interviewed during the environmental review.

However, there appear to be two separate property valuations in the project proposal. Figure 22, *Estimated Capital Costs for Constructing the TVRC* estimates an acquisition cost of \$1,600,000 while the Treasure Valley Reload Center - Project Plan Proposal (p. 27) shows the land cost at \$2,853,500.

Tioga recommends additional documentation of willingness to sell and final price as part of due diligence by MCDC and ODOT.

## **Feasibility Analysis**

Tioga reviewed the project sponsor's assessment to determine whether the feasibility analysis in the project plan demonstrated the project sponsor's ability to deliver the expected public benefits and outcomes through the project plan.

- The conceptual transload operation is similar to comparable, successful operations in Washington and California, and raises no technical feasibility issues.
- Operational and economic feasibility, however, depend almost entirely on the service, car supply, and rates eventually negotiated with UP.

## **Commodities and Products and their Typical Market Destinations**

The project proposal describes the market and current service options as follows:

*“Agricultural products produced in the region are shipped to a broad set of domestic customers, with southern California and the upper Midwest (Illinois and Wisconsin) serving as the primary destinations for truck shipments. Dallas, Atlanta, and the mid-Atlantic (Maryland, Pennsylvania,*

*and New Jersey/New York) serving as primary destinations for rail shipments. Discussions with onion shippers in the region indicate that the vast majority of their products travel to destinations east of Oregon, both by truck and rail.”*

*“Onion growers and shippers generally fell into one of three categories:*

- Some local producers already have local rail spurs to their production or storage facilities and are able to serve markets that receive by rail. These producers may rely on trucks to get their product to its final destination, or to move product short distances locally. In the last five years, these shippers have seen a dramatic decline in service from UP.*
- Other producers primarily use rail to ship their product but need to truck it to the nearest rail facility in Wallula, Washington.*
- Other producers solely rely on truck and may ship their products to destinations that are unable to receive by rail, or to customers that need smaller quantities that would be inefficient to deliver via rail.”*

The TVRC proposal is initially focused on onion shipments, which is appropriately conservative. If a successful service is established for onion shippers, shippers of other commodities may also be able to use the rail and warehouse facilities.

#### **Market Area**

The Treasure Valley market area is appropriate for a transloading proposal of this kind. The TVRC proposal is focused on onion shipments. As the proposal notes:

*“Treasure Valley producers collectively grows over 40 percent of the onions in the Pacific Northwest, with over 19,000 acres harvested each year. Over the past five years, an average of 490,000 tons of onions has been shipped out of the region each year to customers throughout the United States. About 86 percent of these onions move to their final destinations by truck, with the remainder traveling by refrigerated rail car, either through existing rail access in the Treasure Valley or via the Cold Connect facility in Wallula, Washington. This market is seasonal, with 76 percent of the onions shipped between October and March of each year.”*

The proposal also recognizes, appropriately, that the Treasure Valley area produces other commodities that may be attracted to transloading at TVRC. Regional growers also produce sweet corn, cantaloupes, watermelons, potatoes, and a variety of vegetable seed crops such as carrots and beans. The opportunity to serve these commodities was not included in the project proposal’s benefits analysis, and the long-term benefits will increase if those commodities are handled as well.

#### **Market Share**

**Tioga believes the onion market share estimates used as a basis for financial viability, and for estimates of public benefits, are overly optimistic.**

The market analysis supporting the TVRC forecast rail market share increasing from 14% to 30% and assumed that:

*“Construction of the TVRC will introduce a new mode alternative with an equivalent set of unobservable attributes (e.g., timeliness and reliability) as the existing rail alternative (Wallula), albeit with a different overall cost function.”*

Tioga understands this statement to mean that the market analysis did not consider the important service level and service reliability differences between unit train service from Wallula and conventional rail service from Treasure Valley. Wallula is currently served by *Cold Train* unit train service to the East Coast, while local rail service on train LCA44 is anticipated for the TVRC. The service via train LCA44 would be 4-6 days longer than from Wallula in the key traffic lane to the Northeast U.S. The project customer interviews in the project proposal clearly indicate that service speed and reliability are important in service selection.

#### *Existing Rail Shipments from Treasure Valley*

The project proposal identified the current rail market share at about 14 percent, either via existing rail access in the Treasure Valley or via the *Cold Connect* facility in Wallula, Washington. The project proposal assumes *all* of these rail-served onion shipments will move through the facility, even though:

- Planned service from TVRC will be significantly worse than from Wallula.
- The cost for shippers using existing Treasure Valley rail sidings may rise to include the extra cost of trucking to TVRC and TVRC handling fees.
- It appears that UP may be reluctant to reinvest in railcars to support conventional refrigerated services.
- UP may resist loss of business from the *Cold Connect* Wallula facility and the *Cold Train* operation, in which it has recently invested.

#### *Highway Conversion*

The project proposal also forecasts an additional 16% of the exiting truck market to be converted from truck to rail, for a total forecast market share of 30%. However:

- Given the declining current (and prospective) supply of rail cars, rail share in this market is likely to continue on its downward trend, and
- Modal share gains are most likely for destination markets served by unit trains, rather than by local train service.

#### *Market-by Market Analysis*

The project proposal does not specifically identify the destination markets associated with the truck-to-rail conversion. UP does not offer competitive service to all destination markets for Treasure Valley produce, so the potential for truck-to-rail conversion must be established on a market-by-market basis.

Tioga notes that supplementary information received from the project sponsor stated:

*“Ultimately, ... the TVRC will meet transportation needs for east coast markets where transit by rail is efficient (e.g. Chicago, New Jersey, the Mid Atlantic, Atlanta).”*

While that statement is very reasonable, it is not clear from the project proposal that the volume forecast is tied to share gains in these markets. Tioga is concerned that the forecast model may have applied cost-based logic to all markets, rather than just to those with efficient rail service, and thereby artificially inflated the amount truck conversion.

It would be helpful if ECONorthwest would share the details of the volume forecast and market share information on a market-by-market basis. The results should be reviewed to ensure share gains are anticipated only in traffic lanes where UP provides competitive service.

### **Anticipated Cost Savings**

Tioga found the results of the shipper interviews to be very informative in that they cluster around a few features as critical to success: **price, service level, service reliability, and rail car availability**. Shippers clearly understand that the full commitment of the Union Pacific is a critical prerequisite to the success of the proposed facility. The following bullets are taken directly from the project proposal.

- *“Most onion shippers discussed reliability and timeliness in service as critical to their decision on how to ship. Since onions are perishable, most shippers decide transportation mode based on how quickly the product is needed, the volume to ship, and their customer’s ability to receive.*
- *Another consideration shippers discussed related to reliability is the expected service from Union Pacific at the potential TVRC. Most shippers were looking for guaranteed or committed levels of service, including rail car allocation. **Some expressed skepticism that the facility could get this level of consistent service because Union Pacific owns the competing facility in Wallula, Washington.**[emphasis added]*
- *Shippers indicated adequate rail car availability as a necessity for the proposed facility, and implied that they might try using rail (if they didn’t already) at the TVRC but would not likely stay with rail unless the service was consistent and adequate. Most shippers suggested that a strong and committed relationship with Union Pacific would be necessary to ensure the facility’s long-term success.*
- *Price was also an important factor making rail more attractive than truck. Rail prices are more favorable for longer distances, so shippers sending onions to the East Coast often chose rail.*
- *When discussing current shipping methods, a number of trends emerged from interviewees (many listed multiple factors in their decisions). Most (64 percent) said price was the biggest factor in their decisions between truck and rail. When discussing rail (including those who do and do not ship by rail) 43 percent mentioned factoring in reliability of shipments arriving on time, when they decide how to ship, and 57 percent mentioned rail car availability as a factor.*

- *Twenty-nine percent of respondents mentioned shipping via the quickest mode to get their product to market. **However, in general, shippers view the availability of rail cars and the price of goods as more relevant than timeliness of shipments.***[emphasis added]

The potential financial implications for the facility may be significant. Project Proposal Figure 31 suggests that TVRC would operate at a loss if faced with lower than anticipated demand.

Tioga also believes that public and private project benefits may be similarly overstated. The only technical case considered was conversion of shipments from *Cold Connect* at Wallula to TVRC. Yet the project sponsors also anticipate conversion of onion shipments from local rail sidings and over-the-road truck, which would produce a different set of public and private benefits.

### **Size and Scale of Buildings and Facilities**

The project proposal describes the site selection and establishment of building specifications as follows:

*“The initial site for the TVRC was selected to minimize the needed rail spur into the facility, as shown on Figure 6-1. The building size and configuration was modeled around other successful reload facilities that were observed by the MCDC prior to building selection. The MCDC also solicited the advice of Ryan Neal, who operates and manages a similar facility at the Port of Morrow in Boardman, Oregon. Design data from other successful reload centers around the United States as well as data from personnel who manage and operate similar facilities.”*

In a support letter dated September 26, 2018, Union Pacific reported that they had:

*“reviewed the preliminary rail layout (Project Schematic) for the Nyssa, OR reload center and industrial complex and finds the design conceptually acceptable.”*

Tioga concurs with this general approach, but is concerned that if the market share projection is indeed overstated the specified building may be too large for near-term needs. A phased approach, if possible, might be prudent.

### **Financial Capability**

The Malheur County Development Corporation (MCDC) anticipates leasing the TVRC facility to a transload terminal operator. The Raritan Central Railroad offered a strong support letter and expressed interest in serving as the facility operator. The firm operates similar facilities in the east. This approach appears to be pragmatic, as MCDC does not have direct facility operating experience and has not been organized as a facility operator. In any case, the future operator would bear most of the commercial risk associated with the project.

MCDC revenue would come from lease payments beginning in year three, and a “CWT” (hundredweight) fee based on TVRC throughput. MCDC would share the commercial risk in the first two years of the project, but would be substantially isolated from that risk by fixed lease payments

thereafter. In a very low volume scenario, MCDC financial exposure during the first two years of the facility operation will likely be less than \$100,000.

Tioga notes that a lease agreement is apparently not yet negotiated, and its establishment along the lines presented the project proposal should be a prerequisite for funding. Alternatively MCDC should demonstrate its financial capability in some other manner.

**Tioga also notes that the project documentation does not make clear which organization would negotiate rates and services with UP and offer them to shippers. This issue must be resolved to enable successful negotiations with UP prior to funding for construction.**

### ***Capital and Construction Cost Estimates***

Tioga reviewed the preliminary construction estimates and qualifications of the engineering and rail consultants and takes no exception to the construction cost estimates. ODOT should expect that plans, construction details, and costs will be refined as the project itself progresses, especially once the railroad becomes actively involved. These changes would be part of the ordinary project development process, and within the realm of ODOT's experience.

### ***Return on Investment (ROI)***

Tioga reviewed the ROI analysis. The project proposal uses a standard methodology to prepare the benefits analysis. As indicated previously, Tioga believes the underlying volume forecast is overly optimistic which, in turn makes it likely that the benefits and ROI analysis are optimistic. The most likely outcome is that it will take longer to build the expected volume, and that ROI will be delayed.

MCDC's proposed lease and fee arrangement with Raritan River (or another operator) effectively separates ROI for the facility itself from profit for the operator. The operator will undertake their own financial projections, and presumably will not proceed unless they are convinced that the combination of risk and potential return is acceptable. If no firm were willing to operate the facility, due to either high risk or low return, the facility would stand empty or be converted to some other use.

**Accordingly, Tioga believes that construction funding should be conditioned on a satisfactory agreement between MCDC and the intended operator.**

### ***Railroad Concurrence***

Railroad concurrence and support is crucial to project feasibility, and has not yet been secured. Facility development should not proceed without a satisfactory contractual arrangement with Union Pacific.

Union Pacific prepared two letters in support of the TVRC.

- The initial letter, dated November 20, 2017 from Paul F. MacDonald, General Director – Network Economic & Industrial Development, confirmed an ongoing dialog with the project sponsors and indicated that UP had not been involved in cost estimations.

- In a second letter, dated September 26, 2018, Mr. MacDonald indicated UP's willingness to engage the state in further discussions and wrote: *"While UP cannot make a commitment on any specific commodity type nor level of service at this early stage, the UP looks forward to working with the Malheur County Development Corporation to further progress the project into formal design and examine potential commercial opportunities. The UP is excited by the eagerness of your staff as well as that of the community to develop a highly functional, rail-served complex in Eastern Oregon."*

While encouraging, these are commitments to continue negotiations, not commitments to serve the TVRC at a level that will capture market share. Neither MCDC nor ODOT can take these letters to the bank. Further, Mr. MacDonald has recently left UP, which may set back the railroad relationship that the project team has worked hard to establish.

We note that negotiations with UP will require the participation of parties, such as shippers, receivers, brokers, or shipper associations, that can actually tender freight. MCDC would not be a party to a UP rate and service contract.

#### *Union Pacific Unified Plan 2020*

The TVRC project is being planned during a period of institutional transition at Union Pacific. On September 17, 2018 UP announced its Unified Plan 2020, a new operating plan that implements Precision Scheduled Railroading (PSR) principles. Unified Plan 2020 launched on October 1<sup>st</sup> and will be rolled out in phases across the entire Union Pacific rail network, beginning in the eastern third of the railroad.

In the railroad industry investors and financial analysts tend to judge railroads by their operating ratio, the ratio of operating costs to revenue. UP, which historically enjoyed the industry's best operating ratio produced a third quarter 2018 (3Q18) operating ratio of 61.7%, the same as in 2017. In comparison, CSX's 3Q18 operating ratio improved from 68.4% in 2017 to 58.7% in 2018 after implementing PSR. Canadian Pacific and Canadian National, which had previously implemented PSR, had 3Q18 operating ratios of 58.3% and 59.5%.

These are embarrassing financial results for UP. The goal of Unified Plan 2020 is for tUP to achieve a 60 percent operating ratio goal by 2020, on the way to eventually achieving a 55 percent operating ratio.

Unified Plan 2020 will likely create "headwinds" for a UP-dependent Treasure Valley Reload Center. Unified Plan 2020 is scheduled to be implemented on the western third of the Union Pacific in 2019. Exactly what precision railroading entails can be debated. It generally consists of improving rail service by the paring of complex and less profitable services in order to simplify and speed up operations, which permits the railroads to improve service. The strong economy and truck driver shortage are facilitating this strategy. Under this system the financial hurdle on Union Pacific for the continuation of any existing business or the addition of any new business will be much higher than in the past.



### *TVRC vs. Wallula*

Potential competition between the proposed TVRC and UP's own *Cold Connect* operation at Wallula may emerge as an important factor. One motivation for producers to use TVRC is to avoid the truck costs of using *Cold Connect* at Wallula. In that respect, at least some of TVRC's volume would come at a cost to UP's own transloading operation and existing train service.

Given the implications of United Plan 2020 as spelled out above, it is critical to note that diversion from UP's existing facility and unit trains service will reduce the profitability of those business segments, and that moving refrigerated rail cars on UP's LCA44 local service will be more costly and probably less profitable for UP.

### *TVRC vs. Service to Existing Sidings*

The proposal notes that some shippers would likely convert from carload service on existing sidings to transload service at TVRC. This shift may simplify UP operations, reduce switching costs, and improve equipment utilization in line with United Plan 2020. The attraction of such a shift, however, will also depend on UP's profit margin for siding service vs. TVRC service.

### *UP Refrigerated Rail Service Investment*

While Union Pacific has indicated very cautious support of this project, the railroad has been communicating additional, significant perspectives regarding the refrigerated rail car business in general through its investment actions. Even prior to Unified Plan 2020, the UP was phasing out less-profitable segments of the refrigerated rail car business.

- USDA reports a 45% decline in refrigerated rail shipments from California and the PNW between 2012 and 2017. This decline was shared by both UP and BNSF.
- UP has an old fleet of refrigerated box cars, and a very large portion of their fleet is facing mandatory retirement after 50 years of service.
- New refrigerated rail cars are very expensive, reportedly up to \$250,000 each.
- Even with selective reinvestment, the number of refrigerated rail cars in UP's fleet has declined by 18% over the past decade. This reduction in the rail car fleet is one reason local shippers report that cars are hard to get. This factor will make significant share gains from trucks more difficult to achieve.

In spite of these adverse indications, prior to Unified Plan 2020 UP appeared willing to reinvest in their unit train operation between Wallula, WA and Albany, NY. In addition to purchasing the rail cars, UP purchased the former Railex transload centers in Wallula, Washington and Reedley, California, and the distribution center in New York that supports the service. The service is illustrated in Exhibit 1. This type of service is not unique; CSX has been successfully running a similar operation (unit train of refrigerated box cars for orange juice) between Florida and the New York City market for decades.

In summary while the overall trend for this business has been negative, up to the present Union Pacific has been willing to selectively reinvest in the refrigerated box car business.

### ***Exhibit 1: Union Pacific/CSX Cold Connect Service***



### ***Regional Transportation Impacts***

Tioga reviewed the traffic study and notes the initial conclusion that the regional transportation system (primarily State Highway 20) has the capacity to handle the anticipated additional demands of TVRC project.

- To the extent that TVRC diverts truckload shipments from Wallula, there will be reduced truck movements between producers and Wallula, and increased movements between those producers and TVRC.
- To the extent that TVRC diverts over-the-road truckload shipments to rail, there will be reduced truck movements between producers and out-of-state destinations, and increased truck movements between those producers and TVRC.
- To the extent that TVRC diverts existing rail siding shipments to TVRC, there will be increased truck movements between those producers and TVRC.

The project proposal adds that additional analysis will be required to verify the proposal estimate.

### ***Expected Useful Life of the Project***

Tioga reviewed the Nichols Group letter regarding the useful life of the project and takes no exception.

## ***Project Schedule***

Tioga reviewed the project schedule, which anticipates a funding commitment in January 2019, construction documents complete by August, and construction beginning in November 2019. The facility is to be operational in mid 2020.

**In Tioga's opinion funding for construction should not be approved before an acceptable service and rate agreement is negotiated with Union Pacific.** Negotiations should take no more than 90 days, but the time required for negotiations could delay the start of construction to the winter of 2019-2020. Unless the schedule can be accelerated, the facility may not be operational until late 2020.

## ***Recommendation***

After reviewing the project proposal, Tioga has no doubt that Treasure Valley shippers would benefit significantly from the additional shipping options, improved rail service, and cost savings envisioned by project sponsors. The key question is whether those benefits can be provided as anticipated. The crucial factor is the willingness of Union Pacific to provide enough rail cars, acceptable service, and acceptable rates to realize the shipping benefits, and the willingness of a TVRC operator to provide transload services at acceptable rates.

## ***Risks***

The proposed Treasure Valley Reload Center would be a commercial business venture, and no such venture is without risks. Unforeseeable market changes or other external shifts could conceivably affect the project, but by definition those risks cannot be anticipated or mitigated and it would be unreasonable to expect project sponsors to allow for such risks.

There are a few major risks that should be acknowledged and mitigated where possible:

- **Lack of UP cooperation.** Without active cooperation from UP in the form of reliable competitive service, consistent car supply, and competitive rates, the TVRC will not be commercially viable. UP's Wallula *Cold Connect* service would be a competitor to TVRC. UP is also under pressure to improve its operating ratio, and the service anticipated for TVRC may not be consistent with that goal. Accordingly, Tioga suggests that funding be made contingent on successful negotiations with UP.
- **Lack of an operator agreement.** The TVRC proposal envisions cost-effective operations in line with similar facilities elsewhere, and operator payments in the form of a lease and a fee per CWT. Yet the CWT fee must be passed on to customers, and the operator must be able to provide transloading and other services at rates that make the overall truck/TVRC/rail package competitive with alternatives. Without an operator agreement in place and confidence that these conditions can be met, the viability of the TVRC concept is at risk. Accordingly, Tioga suggests that funding also be made contingent on successful negotiations with a TVRC operator.
- **Excess facility capacity.** If, as Tioga believes, the volume estimates are overly optimistic, TVRC may suffer from low business volumes and high average costs, especially in the start-up

period. Accordingly, Tioga suggest that volume estimates be revisited, financial plans allow for progressive volume growth, and a phased build-out be explored.

## **Conditions**

Based on the risks outlined above and a few points that lack clarity or documentation in the proposal and supplementary materials, Tioga recommends the following conditions for final grant approval and funding.

### *Institutional Roles*

There is a clear need to establish clear institutional roles for:

- MCDC.
- The facility operator.
- Union Pacific.
- Treasure Valley shippers/TVRC customers.

The proposal should be updated or supplemented within 30 days to document which functions each party would perform separately and in relationship to each other. Specifically, the supplement should document:

- Who would negotiate rates with UP, and on behalf of whom?
- Who would tender freight to UP?
- Who would bear liability for any service shortfall, e.g. loss and damage, market loss, etc.?
- What services the operator would offer, and to whom?

MCDC's revised financial projections should reflect those relationships.

### *Union Pacific Agreement*

The success of this project and delivery of public benefits depends primarily on establishing a mutually beneficial operating and economic relationship with Union Pacific. At this stage Union Pacific is sending mixed messages.

On one hand UP could find the current situation, in which local onion shippers are encouraged to truck their product to Wallula, add volume to that facility, and concentrate rail operations, as very desirable. This would be a very common view among rail leadership, particularly in a PSR environment.

On the other hand Union Pacific appears to be willing to invest in facilities and rail cars to support *Cold Connect* service. Therefore, if project sponsors and shippers can negotiate an acceptable combination of service, car supply, and rates with UP, the TVRC project could successfully serve the Chicago, Northeast, mid-Atlantic, and possibly Atlanta markets.

**Thus, we do not recommend funding the TVRC project is unless a written, binding agreement with UP can be made within 90 days of a conditional grant award. If such an agreement cannot be made within 90 days, but the parties can show good reason for an extension, an extension should be considered.**

#### *Operator Agreement*

**An acceptable, comprehensive agreement between MCDC and a TVRC operator is likewise essential to project viability.** Within 60 days of conditional approval, project sponsors should negotiate a written, binding agreement with the proposed TVRC operator that reflects:

- The lease and CWT payments from the operator to MCDC
- Obligations of each party regarding the TVRC facility
- Services to be offered and performed.
- Other appropriate terms and provisions.

#### *Property Ownership and Price*

Site ownership and the price and terms of the purchase should be finalized, documented, and reflected in revised proposal financials with 30 days of conditional approval.

#### *Volume Forecast and Phasing*

The volume forecast should be revised and documented on a more conservative, market-by-market basis anticipating that UP will serve markets where rate, transit time, and car utilization metrics will be acceptable. The project plan should be revised to discuss volume growth scenarios and phasing options where possible.

#### *Revised Financials*

A revised review of benefits and MCDC financials based on clear institutional roles, the UP agreement, the operator agreement, final property price, revised volume forecast, and phasing options should be made available to ODOT prior to final funding. These revised materials should be made available within 30 days following completion of the UP and operator agreements.